

March 25, 1977

LB 109, 109A, 264

PRESIDENT: We go to Select File.

CLERK: Mr. President, there are two bills 109 and 109A. Senator Reutzel asked unanimous consent to lay it over till Monday March 28.

PRESIDENT: Is there an objection? 109 and 109A laid over til Monday. Seeing none, it's so ordered. 264.

CLERK: Mr. President, LB 264 is a bill that has been on Select File before. A motion was made by Senator Burrows to indefinitely postpone the bill. That motion was laid over. The bill is now before us on a motion to indefinitely postpone.

PRESIDENT: Chair will recognize Senator Burrows for this purpose.

SENATOR BURROWS: Mr. Chairman, members of the Legislature. I have felt that this bill deserved quite a bit of discussion on the floor. I'm not firmly convinced that it's that bad of a bill but I'm certainly not convinced that it's a very desirable bill at this time for the Legislature to pass. The bill provides for nonvoting stock to be issued by corporations. The only restriction I saw in the legislative language was to restrict commercial sale which would be advertised or volume sale, commercially sold to this stock. It does not state in the bill that it restricts private selling of the stock or an individual going out and selling nonvoting stock. The implications of nonvoting stock are that it, I believe further, erodes the protections of the stockholder. If a gullable person has sold this stock maybe on the sales pitch that they don't have to vote, that they don't have to take care of this stock and then find out they also don't have any control of this money and it can be used for years and years or the rest of that person's life and their children's life without any return if it's used up in the business. It does not restrict the volume. Less than 1% I feel could control the corporation of voting stock. Now when I talked to the banking directors legal counsel, they have explained they would control on the ordinary corporation of voting stock and require a preference be held. Now the present law provides for preference or preferred stock under these regulations already. So if the banking director and I would assume he would, sets up the rules and regs to provide preference for the ordinary corporation, I don't see how it's changed the laws one bit and how it's helping or hurting anyone. I understand...I haven't found out really who's taking full credit for the bill and the need for it, I think maybe it's a group of attorneys is my understanding but I'm not sure. It does look like it might open up more employment possibly for attorneys. I understand it's needed for state planning. It might work very well for me but I have a problem philosophically that we set up corporations with advantages with the sole intent and purpose of avoiding our inheritance tax laws. This again is a theoretical problem I have with the bill. Now I just haven't got the questions answered. Then in the Subchapter S or the 10 Stockholders or Less Corporation, it would not be regulated by the banking director according to the preference of this nonvoting stock. Will internal revenue really allow any advantages? So I have a lot of questions on it. Nobody so far has been able to really spell out a solid rationale of why we should have the law, how it's